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CHAIRMAN'S REPORT
June 20, 2019

TOPIC	UPDATE
James E. Bunn To Be Honored With Proposed Amphitheater	On June 4, 2019, District Councilmembers Bonds, Evans, Gray, Grosso, McDuffie, Silverman, Todd, R. White, and T. White introduced the "James E. Bunn Amphitheater Designation Act of 2019" (the Act), to honor the memory of former DCRB Trustee James E. Bunn. The Act designates the Amphitheater at Oxon Run Park, located at 13th Street and Mississippi Avenue, S.E. in Ward 8 as the "James E. Bunn Amphitheater. Former Trustee Bunn was a DC Council appointee to the Board from 1991 to 1995 and became a mayoral appointee on March 13, 2011 and served until his death on August 1, 2013.
July Board Meeting Scheduled	Although we previously announced that no Board meeting would be held in July, a meeting has been scheduled for Thursday, July 18, 2019 (see announcement below). To facilitate several operational items, the Operations Committee will meet in the morning at 10 a.m., followed by an Audit Committee meeting from 12:00 to 1:30 p.m. The Board meeting will convene at 1:30 p.m. For your information, we have been advised by the Mayor's Office that she plans to attend our July Board meeting. As in the past, there will be no meeting in August.
Former Trustee Luncheon	As noted previously, I have asked the Staff to schedule a luncheon for former Trustees, so we can catch up with their recent activities and thank them for their long and dedicated service to the Board. You will receive an update as soon as we have a date selected.
Colonial Parking "Chaser" Tickets Are Available	DCRB has been advised by IBEW that the machine for producing "chaser" tickets has been received and is available for our use. As noted previously, the "chaser" tickets are used by the new IBEW Building parking attendant, Colonial Parking, rather than validation stickers. The DCRB Receptionist will provide Trustees with the tickets for your use in exiting the building. All you need to do is scan the ticket you pulled upon entering the garage, and then, once the charge for parking shows on the screen, scan the chaser ticket. The screen will then show a zero balance and the gate will open, allowing you to exit. Trustees should begin using these tickets this month.
Other	**For your information:** ➢ **Next Board Meeting**: The next Board meeting will be held at **1:30 p.m. on Thursday, July 18, 2019. There will be no Board meeting in August.** ➢ **Quorum:** To assure that all meetings will have a quorum, DCRB's Office Management staff poll all Committee or Board members prior to the meetings to confirm attendance. ➢ **Construction:** While construction continues on the adjacent building, the garage entrance on 7th Street will remain closed. We will follow up with you when we learn of the date that it will reopen. ➢ **Remote Participation Voice Vote:** Since it is difficult to hear the votes of those participating remotely, I will specifically ask for a voice vote from anyone attending a meeting via telephone.

	As a reminder: ➢ **<u>Conference Travel Report</u>:** In accordance with a provision in the Trustee Travel Policy, following your attendance at a conference, Trustees are asked to complete a report for the record describing what they learned at the conference and its benefit to the Board. Section 4 of the Conference Travel Report for Trustees and Staff provides space for you to list your ideas and insights gained at the conference. Please submit your Travel Report to Johniece Harris when requesting your expense reimbursement. ➢ **<u>Electronic Participation</u>:** Notice should be provided to the Chairman and to Deborah Reaves if you plan to participate at a meeting electronically. Deborah will provide specific WebEx information prior to every meeting. ➢ **<u>Member Complaints</u>:** Trustees who receive questions or complaints from members on issues administered by DCRB should contact the Executive Director and the Department Chief, who is responsible for the issue rather than departmental staff. ➢ **<u>Use of DCRB-Provided iPads</u>** DCRB-provided iPads should be used for official government purposes only. No pictures, media, apps, etc. should be loaded onto those devices.

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EXECUTIVE DIRECTOR REPORT
June 20, 2019

Activities	Updates
Strategic Planning	A draft Mission Statement, Vision Statement, and set of Core Values will be presented to the Operations Committee, and then to the Board for approval in July. The Executive Leadership Team (ELT) is currently working on an Implementation Plan for the initiatives that were identified as important to our operations and will provide the Board with the new Strategic Plan once it is completed.
Treasury Offset Program (TOP) Update	During our meeting with ODCP on June 6, 2019, we were advised that the exemption of DCRB from Treasury's TOP program is being discussed by high-level officials within the Treasury Department, and that a meeting that may result in a decision is scheduled for today. We will provide you with any new information as soon as it is received.
Office of Contracts and Procurement (OCP) Training	Following our signing an MOU with OCP in March 2019, OCP conducted mandatory Contract Administrator training for DCRB staff who will be needed to assist them in providing us with procurement services. This training took place on May 28-29, 2019, included how to draft statements of work and how to effectively serve as a Contract Administrator.
DCRB Spring Newsletter	DCRB's spring newsletter, which serves as our Summary Annual Report to members of the financial status of the Fund that supports the Police/Fire and Teachers' Plans, is being distributed to both active and retired participants and their survivors this week. A copy of the newsletter is attached for your information.
Meeting With ODCP	In addition to the information above related to the TOP program, our June meeting with ODCP also included discussions related to: a STAR member self-service portal, off-cycle payments, processing statistics, the potential reduction of recalculations of original annuities, a simplification of split payment regulations, the 2019 Service Level Agreement, the FY 2020 STAR MOU, an imminent FISMA audit, and a high-level discussion of Treasury's long-term business planning process.
Retired Firefighter Election	The new term for the Retired Firefighter Trustee position on the Board will begin in January 28, 2020. The election process for that position will begin in late summer.
Transfer of Healthcare Coverage into Retirement	In March 2019, DCRB began the electronic transfer of retiree healthcare data to United Healthcare, resulting in the elimination of inadvertent terminations of healthcare for new retirees. DCRB IT is monitoring this process and working with the other healthcare providers to apply it to their procedures.

Retirement Standard Operating Procedures (SOPs)	Members of DCRB's Benefits and Legal departments are working together to develop SOPs for benefits administration processes. Those currently completed include: MPD treatment of longevity, the off-cycle payment process, and the post-1956 reimbursement process. About 100 of these processes have been identified as needing documentation.
Training for Benefits Staff	In addition to the recent CAPPPs training that was held here at DCRB, and District-sponsored courses in Excel, Word and Access, in July 2019, Benefits staff will be provided with training by DCHR in the areas of Quality Customer Care and the Principles of Management. Staff will also be given the opportunity to study toward achieving the Certified Employee Benefits Specialist (CEBS) certification offered by the International Foundation of Employee Benefits Plans (IFEBP). In addition, U.S. Treasury will continue its training on STAR-related issues.
MOU With Charter Schools	Following DCRB's review of the charter schools MOU, which was executed in 2002, OCFO has agreed to work with a firm to audit the charter school contribution amounts and census data from the inception of that program in 2002.
Other Post-Employment Benefits (OPEB) Advisory Committee	A meeting of the OPEB Advisory Committee was held on June 5, 2019. Barbara Davis Blum, former Chair of DCRB's Investment Committee, and I are both on that Board, along with DCHR Director Ventris Gibson, and Bruno Fernandes and Eugenia Collis, of the District's Office of the Chief Financial Officer.
Recognition of John Henry	District Chief Financial Officer (CFO), Jeffrey DeWitt, forwarded a posting from the Jefferson County (Alabama) Commission's LinkedIn page congratulating the County's CFO, John Henry (formerly the District's Associate Treasurer), on being named CFO of the year in the non-profit/public sector category by the Birmingham Business Journal.
Recent Retirement-Related Article (attached)	"State and Local Government Contributions to Statewide Pension Plans: FY 17," NASRA Issue Brief, June 2019.
Building Security	For your information, we have contacted IBEW's building management staff, our landlord, to discuss security measures and an emergency action for the building in light of the Virginia Beach mass shooting incident (May 31, 2019). An update will be provided at the July Board meeting.

A Publication of the District of Columbia Retirement Board for Active and Retired Police Officers, Firefighters and Teachers

DCRBReport

SPRING 2019

Inside

The mission of DCRB is to prudently invest the assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund and the District of Columbia Teachers' Retirement Fund for the exclusive benefit of the members of the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan and to provide Plan members with total retirement services.

2019 COLA

On February 7, 2019, the DC Human Resources Office issued a notification indicating a 1.9% cost-of-living adjustment (COLA) for eligible District of Columbia Police Officers and Firefighters' Retirement Plan retirees and survivors and a 1.8% COLA for eligible District of Columbia Teachers' Retirement Plan retirees and survivors. These increases were effective March 1, 2019, and were included in annuity payments beginning April 1, 2019.

Members who retired after March 1, 2018 and before March 1, 2019, were entitled to a prorated COLA equal to 1/12th of the above increases for each month or partial month (for a maximum of 12 months) for which their annuity was effective prior to March 1, 2019. Note: police officers and firefighters who retired before February 15, 1980, are under equalization rather than COLAs, and receive annuity adjustments based on pay increases granted to active members.

From the Chairman of the Board

Joseph W. Clark

During its meeting on March 20, 2019, the District of Columbia Retirement Board (DCRB or the Board) conducted elections to determine which Trustees would serve as Board officers for 2019. I am happy to report that my colleagues elected me to serve a third one-year term as Chairman of the Board. They also reelected Trustee Gary Hankins to serve another year as Vice Chair/Secretary, and Trustee Lyle Blanchard to serve as Treasurer.

New Trustees

As we noted in several of our newsletters last year, DCRB conducted elections for two Trustee positions, one for the Active Police Officer Trustee and the other for the Active Teacher Trustee. In December 2018, the Board certified Greggory J. Pemberton as the winner of the Active Police Officer election, and in January 2019, the Board certified Dr. Denise D. Daniels as the winner of the Active Teacher election. In addition, in April 2019, Mayor Muriel Bowser appointed Tracy S. Harris to serve on the Board. Trustee Harris succeeds Lenda P. Washington as a mayoral trustee. Below, in alphabetical order, is information on each of the new trustees.

Dr. Denise D. Daniels

Trustee Daniels has served the District of Columbia Public Schools as a School Psychologist for over 20 years. During that time, she has served as a member of the Council of School Officers and the Washington Teachers' Union (WTU). She also served on the executive board of the WTU from 2011 to 2014, and she currently serves as the President of the DC Association of School Psychologists. Dr. Daniels holds Doctorate and Master's degrees in Clinical Psychology from Loyola University of Chicago, and a Bachelor's degree in Psychology with departmental honors from Spelman College. Trustee Daniels' term on DCRB's Board began on January 28, 2019, and will continue through January 27, 2021.

Tracy S. Harris

In a swearing in ceremony on April 9, 2019, Tracy S. Harris began her term as a mayoral appointee to the Board. Trustee Harris is the Chief Business Officer & Chief Financial Officer at the Bullis School, where she has been employed since 2015. Previously, Trustee Harris was the Chief Financial Officer for The BondFactor Company; Chief Financial Officer & Vice President of Administration for the American Institute of Architects; Senior Vice President & CFO for Delon Hampton & Associates; Chief Financial Officer of the Walter Washington Convention Center, and Associate Treasurer for the District of Columbia government. Trustee Harris is a graduate of the General Management Program at the Harvard Business School, and has a Master of Government Administration degree from the University of Pennsylvania, an MBA from St. Louis University, and a BS from Fontbonne University. Trustee Harris' term on the Board will continue through January 27, 2023.

Greggory J. Pemberton

Trustee Pemberton is a Chicago native and attended high school and college while living there. He graduated with a BS in Engineering from Columbia College Chicago, and moved to Washington, DC in 2005 to join the Metropolitan Police Department. After joining the Department, he was

Continued on page 4

FY 2018 Investment Performance

Following the payment of benefits and administrative expenses, the Fund's assets totaled $8.2 billion as of September 30, 2018, an increase of $444 million from the end of FY 2017. During FY 2018, the Fund generated a gross return of 5.4%, slightly below the policy benchmark return of 5.7% over the same period.

Global Market Review

During the first quarter of FY 2018, U.S. equity markets rose 6.3%, driven by strong corporate earnings and an anticipated boost from tax cuts. Developed international markets increased 4.2%, and emerging markets equities gained 7.4%, driven by improving global economic data and a depreciating U.S. dollar. Increased tightening by central banks around the world, coupled with the announcement of U.S. trade sanctions, fueled investor fear and led to a sharp increase in market volatility during the second quarter. U.S. equities declined by –0.8%, developed international markets fell by –1.5%, and emerging markets equities gained 1.4%.

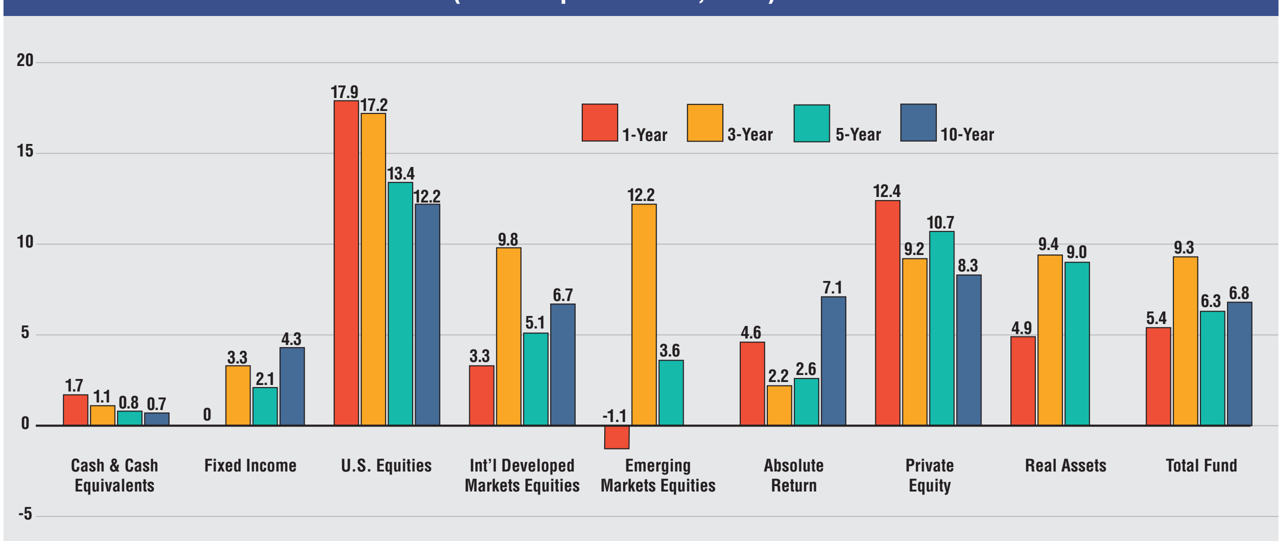
In the third quarter, U.S. equities and developed international equities proved resilient considering escalating trade tensions, and generated returns of 3.4% and -1.2%, respectively. U.S. markets were led higher by large-cap growth companies. In emerging markets, the increasing trade war rhetoric led to a sell-off in bonds and equities, with equities falling -8.0%. A strengthening U.S. dollar also caused a deterioration in developed international and emerging markets equity returns.

During the fourth quarter of the fiscal year, U.S. consumer confidence reached its highest level since 2000, corporate earnings and economic growth remained strong, the unemployment rate declined to 3.9%, and Apple and Amazon both reached unprecedented $1 trillion valuations. U.S. stocks finished near record highs, with the Russell 3000 Index up 7.1%, Outside the U.S., developed market stocks returned 1.3%, while concerns about the potential impact of global trade tensions, rising Fed funds rate expectations, and a strong U.S. dollar acted as headwinds for emerging markets equities, resulting in a decline of –1.1%.

Investment Results for FY 2018

As noted above, at the close of FY 2018, the Fund held assets of $8.2 billion, and generated a gross return of 5.4% for the fiscal year. Over the intermediate term, the Fund generated an annualized gross return of 9.3% over the last three years, 6.3% over the last five years, and 6.8% over the last 10 years. Since inception (October 1982), the Fund's gross return was 8.8% per year, exceeding the actuarial target by 2.3%. The Fund's underperformance during the year was primarily driven by its asset allocation, especially from underweights to U.S. equities, public real estate, and natural resources.

Historical Gross Fund Performance (As of September 30, 2018)



DCRB Financial Statements

For FY 2018, the Board once again received an unmodified, clean opinion from its independent auditor. The following schedules compare the FY 2018 financial statements with those of FY 2017.

Statements of Net Position (in $000s) for the Fiscal Years ending:

	September 30, 2018			September 30, 2017		
	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund	Total	Teachers' Retirement Fund	Police Officers and Fire Fighters' Retirement Fund	Total
Assets						
Cash and short-term investments	$15,735	$43,599	$59,334	$23,675	$64,541	$88,216
Receivables & prepaid expenses	$4,038	$4,619	$8,657	$19,504	$44,180	$63,684
Investments at fair value	$2,159,823	$5,984,412	$8,144,235	$2,046,711	$5,628,706	$7,675,417
Total Assets	$2,179,596	$6,032,630	$8,212,226	$2,089,890	$5,737,427	$7,827,317
Liabilities						
Other payables	$2,329	$5,644	$7,973	$1,706	$4,631	$6,337
Investment commitments payable	$1,161	$3,216	$4,377	$17,585	$48,354	$65,939
Total Liabilities	$3,490	$8,860	$12,350	$19,291	$52,985	$72,276
Net Assets Held in Trust For Pension Benefits	$2,176,106	$6,023,770	$8,199,876	$2,070,599	$5,684,442	$7,755,041

Statements of Changes in Net Position (in $000s) for the Fiscal Years ending:

	September 30, 2018			September 30, 2017		
Additions						
District Government contributions	$59,046	$105,596	$164,642	$56,781	$145,631	$202,412
Employee contributions	$40,324	$34,478	$74,802	$34,364	$33,424	$67,788
Total contributions	$99,370	$140,074	$239,444	$91,145	$179,055	$270,200
Net Investment Income (loss)	$94,129	$316,842	$410,971	$239,554	$655,310	$894,864
Other Income	$1,038	$2,356	$3,394	$907	$2,468	$3,375
Total additions (reductions)	194,537	459,272	653,809	$331,606	$836,833	$1,168,439
Deductions						
Benefit payments	$78,430	$106,794	$185,224	$72,069	$92,537	$164,606
Refunds	$6,126	$1,580	$7,706	$6,166	$1,647	$7,813
Administrative Expenses	$4,474	$11,570	$16,044	$4,721	$12,838	$17,559
Total deductions	$89,030	$119,944	$208,974	$82,956	$107,022	$189,978
Change in Net Position	$105,507	$339,328	$444,835	$248,650	$729,811	$978,461
Net Assets Held in Trust For Pension Benefits, Beginning of Fiscal Year	$2,070,599	$5,684,442	$7,755,041	$1,821,949	$4,954,631	$6,776,580
Net Assets Held in Trust For Pension Benefits, End of Fiscal Year	$2,176,106	$6,023,770	$8,199,876	$2,070,599	$5,684,442	$7,755,041

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Inside this DCRB Report

Fiscal Year 2018 Investment Summary and Financial Statements

From the Chairman of the Board

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assigned to the Patrol Section of the Third District, and later to the Third District Vice Unit. During his time in the Vice Unit, he completed his MS in Management at Johns Hopkins University in Baltimore by attending classes during the day and working the night shift. In 2008, Trustee Pemberton was promoted to Detective Grade 2 and assigned to the Seventh District Detective's Unit. In 2017, he was promoted to Detective Grade 1. Trustee Pemberton has been a long-serving, elected Union Representative in the DC Police Union, and is currently serving his third term as the Union's Treasurer. Trustee Pemberton's term on DCRB's Board began on January 28, 2019, and will continue through January 27, 2023.

Updates

Strategic Planning Project

In August 2018, DCRB began a Strategic Planning Project (Project) for the years 2018 through 2023 that involved all DCRB trustees and staff. We are currently in the process of completing the Project, which includes an update of our mission and vision statements, core values, a strategy map, and priority initiatives. Among our priorities, in addition to keeping the Plans fully funded and providing you with prompt and excellent service, is to work with our agency partners to review the steps in the retirement process to identify ways we might shorten the time it takes to provide our retiring members with their first annuity payment. We will keep you informed of our progress as this initiative evolves over the next few months.

Benefit Statements

Once again, DCRB plans to provide all active, vested members of the District of Columbia Police Officers and Firefighters' Retirement Plan and the District of Columbia Teachers' Retirement Plan (the Plans) with benefit statements (Statements) that will indicate the annuity amount accrued as of December 31, 2018, as well as projected to your earliest retirement date. To be vested, members must have at least five years of creditable service. Since the Statements are mailed to your home address, you should make sure that your address in the District's PeopleSoft system is accurate, and that any data issues you are aware of have been corrected. We expect to distribute the Statements toward the end of the year.

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Sheila Morgan-Johnson
Executive Director

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Editor

NASRA Issue Brief:
State and Local Government Contributions to Statewide Pension Plans: FY 17

June 2019

Pension benefits for employees of state and local governments are paid from trust funds to which public employees and their employers contribute during employees' working years. Timely contributions are vital to adequate funding and the sustainability of these plans: failing to pay required contributions results in higher future costs, due to foregone principal and investment earnings that the contributions would have generated.

Nationally, contributions made by state and local governments to pension trust funds in recent years account for just less than five percent of all spending.[1] Overall, the experience for FY 17 reflects a continuation of an improved effort among state and local governments to make actuarially determined pension contributions: on a dollar-weighted basis, the percentage of required contributions that was paid by public employers increased for the fifth consecutive year, while pension costs continued to grow at a slower pace than previous years. This has occurred even as plans have reduced their investment return assumptions and implemented more aggressive amortization strategies to pay off unfunded pension liabilities.

Pension spending levels, however, vary widely among states and are actuarially sufficient for some pension plans and insufficient for others. Unlike employees, who must always contribute the amount prescribed in statute or by plan rules, a broad range of funding statutes, rules, policies, and practices is used to determine the contributions public employers—states, cities, etc.—make to public pension plans. This disparity in contribution governance arrangements is one of several factors contributing to a wide range of experience among public employers concerning required contributions.

This brief describes how contributions are determined; the recent public employer contribution experience; and trends in employer contributions over time.

The Retirement Benefit Plan Equation

A basic formula describes the financing of any type of retirement benefit:

$$C + I = B + E$$

Contributions plus investment earnings equals benefits plus expenses. The money that is drawn from a retirement plan, for benefits and administrative costs, ultimately must equal the money that is contributed to the plan and the investment earnings those contributions generate. This fundamental formula illustrates the vital role contributions play in funding a pension plan.

Actuarially Determined Contributions

Funding a pension plan takes place over many years and, as described in the box to the left, typically involves a combination of contributions from employees and employers, which are invested to generate investment earnings. Contributions are a vital source of public pension funding: of the $7.5 trillion in public pension revenue since 1988, nearly 38 percent has come from contributions paid by employers and employees[2]. The amount of contributions needed to fund a pension plan is calculated as part of an actuarial valuation, which is a mathematical process that determines a pension plan's condition and cost required to pay promised benefits.[3]

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[1] NASRA, "State and Local Government Spending on Public Employee Retirement Systems," March 2019; calculation does not include spending from federal sources

[2] Contributions @ NASRA.org http://www.nasra.org/contributions

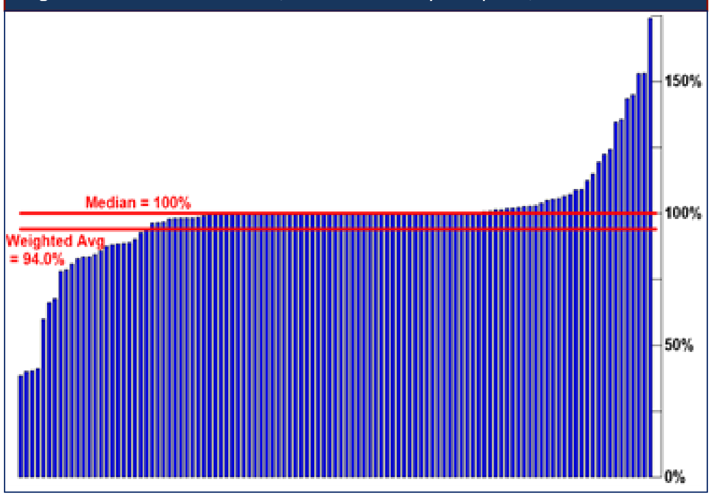
[3] Professional actuaries are guided by Actuarial Standards of Practice; ASOP No. 4 provides guidance on the determination of the required cost, or contribution requirement, of a pension plan. ASOP #4 defines the Actuarially Determined Contribution as: "A potential payment to the plan as determined by the actuary using a contribution allocation procedure. It may or may not be the amount actually paid by the plan sponsor or other contributing entity." ASOP #4 defines Contribution Allocation Procedure as: "A procedure that uses an actuarial cost method, and may include an asset valuation method, an amortization method, and an output smoothing method, to determine the actuarially determined contribution for a plan.

For public pension plans, an actuarially determined contribution, or ADC, typically is consistent with the annual required contribution, or ARC, a concept introduced by GASB Statement 25 and defined essentially as the sum of the normal cost (the estimated cost of benefits earned each year); and an amortization payment. Amortization, or payment over time, is required when either a) contributions are insufficient and/or b) the plan's demographic or investment experience cause the value of assets and liabilities to diverge. Amortization is intended to eliminate this difference, which is known as the unfunded actuarial liability.

Various funding mechanisms, including statutorily-fixed rates, actuarially-determined rates, and annual appropriations, are used to fund public pension plans. Virtually all plans calculate an ADC, which serves as a benchmark to measure the sufficiency of the employer's contribution. Pension plans typically maintain a funding policy by which they expect to reach full funding at the end of a specified period of time if the plan receives all of its actuarially determined contributions; and if all of the plan's actuarial assumptions—about the many factors affecting the plan, such as future investment performance, how long plan participants will work, etc.—materialize as expected. Pension plans regularly monitor their condition through actuarial valuations and experience studies to determine if assumptions are being met and if adjustments are needed.

Because actuarial methods, assumptions and benefit levels differ from one plan to another, the ADC also will vary. As a result, the ADC for two hypothetical plans with identical financial and demographic compositions could (and usually will) also differ. Also, laws and rules governing pension contributions vary widely among states and cities, and those provisions can affect public pension plan funding. For more information concerning the impact of funding policies, statutes and rules, see "The Annual Required Contribution Experience of Statewide Pension Plans, FY 01 to FY 13."[4]

Figure 1: Distribution of ARC/ADC received by 111 plans, FY 17



Source: State retirement systems CAFRs compiled by NASRA

FY 2017 Contribution Experience

As shown in Figure 1, the median actuarially determined contribution received in FY 17 was 100 percent, and ranged from 38.4 percent to 174.0 percent. On a dollar-weighted basis, (as shown in Figure 2) the average ADC received was 94.0 percent, up from 92.0 percent in FY 16 and marking the fifth consecutive year of improvement and the third consecutive year in which the combined annual contribution effort is above 90 percent.[5] The FY 17 non-weighted average was 99.2 percent.

The aggregate rate of increase in required contributions from FY 16 to FY 17 was 4.3 percent, which is the second lowest rate of increase during the measurement period and marks the fourth consecutive year of growth in required contributions below 5.0 percent. This reduced rate of increase also continues a trend seen in recent years of slower annual growth in required contributions, especially compared to the sharp increases experienced in FY 03-05, following the market decline of 2000-2002. The slower growth in recent years has occurred at a time when many public pension plans have reduced their investment return assumption[6], which, other factors being equal, increases required costs. If return assumptions had remained the same, the increase to cost would have been smaller.

The procedure may produce a single value, such as normal cost plus an amortization payment of the unfunded actuarial accrued liability, or a range of values …."

[4] NASRA, The Annual Required Contribution Experience of Statewide Pension Plans, FY 01 to FY 13

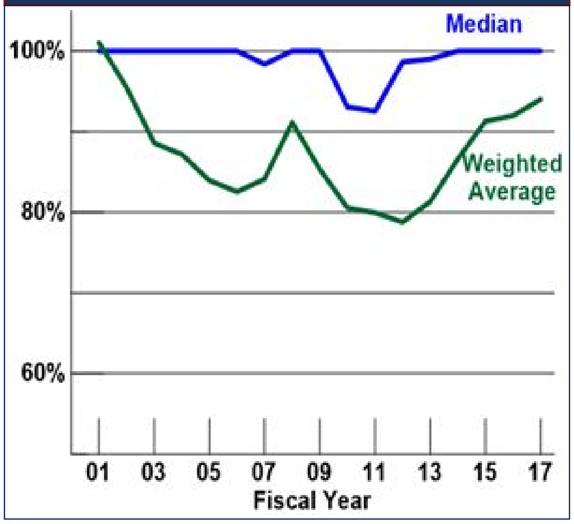
[5] New GASB reporting requirements have resulted in some plans no longer reporting their ADC experience. GASB Statements 25 and 27 established a requirement that public pension plans present in their financial report a) a history of the calculated annual required contribution, and b) the employer contributions that were actually paid. Unlike Statement 25, Statement 67 does not require agent plans to report this information. Specifically, "the [GASB] board concluded that aggregated information about contributions to agent pension plans has limited decision utility because the pattern of contributions to each individual agent employer's pension plan would be obscured if the aggregated amounts were reported about the agent plan as a whole." Statement 67 also requires that, for cost-sharing plans, the plan's ADC experience be reported only if an ADC is actually calculated.

[6] NASRA Issue Brief, Public Pension Plan Investment Return Assumptions, February 2019

The slower rate of increase is caused partly by pension reforms, including higher required employee contributions and lower benefit levels (and costs) enacted in every state since 2009.[7]

Another factor contributing to higher pension costs in recent years is a movement among public pension plans toward more conservative methods to amortize unfunded actuarial liabilities. Research indicates that more plans are employing methods to pay off their unfunded liabilities more aggressively[8], which increases costs in the near-term, and reduces long-term costs.

Figure 2: Median and weighted average ARC/ADC contributed to 112 statewide plans



Source: State retirement systems CAFRs compiled by NASRA

Recent History of Employer Contributions

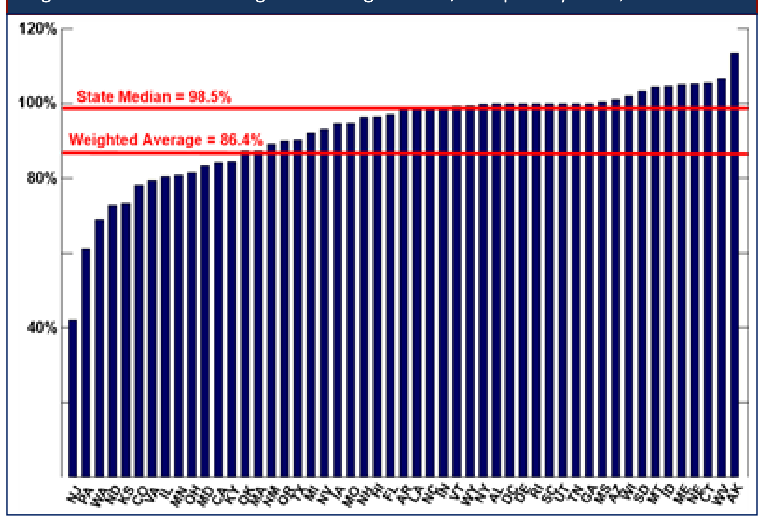
Spending on pensions by states & local government is just below five percent of all spending.[9] The employer contribution experience since FY 2001 covers an eventful period, including two economic recessions—impairing state and local fiscal conditions—and two periods of sharp declines in capital markets, which increased unfunded pension liabilities. For the plans measured for this study, actuarially determined contributions rose from $27.8 billion in FY 01 to $109.4 billion in FY 17, an increase of 186 percent in inflation-adjusted dollars. Actual contributions paid by employers during this period grew from $28.0 billion to $96.9 billion, an inflation-adjusted increase of 153 percent.

Figure 2 plots the weighted percentage of actuarially determined contributions received from FY 01 to FY 17. Because each state is unique in terms of its governance structure, pension funding policy and practice, the relative cost of its pension plan(s), fiscal condition, and other factors, the required contribution experience of each state is also unique, and ranges widely. As Figure 3 shows, on a weighted average basis, states' percentage of cumulative ARC/ADC paid since FY 2001 ranges from just over 40 percent to more than 100 percent. In the median, state plans received 98.5 percent of their required contributions, and 86.4 percent as a weighted average. The average actuarially determined contribution received for the period was 92.6 percent, as a few larger plans pulled down the average because they received a relatively lower portion of their ADC.

Conclusion

Although contributions to public pensions remain on average a relatively small percentage of state and local government spending, they also have grown in recent years. Depending on the plan, the growth of required employer contributions is due to one or more factors, including investment market losses; insufficient contributions; more conservative actuarial methods and assumptions, including lower investment return assumptions and more aggressive amortization periods; and demographic and investment experience that differs from assumptions. The overall experience for FY 17 reflects continuation of an improving effort among state and local government employers to make the full actuarially determined contribution, which will forestall higher costs in the future and strengthen the long-term sustainability of public pension plans.

Figure 3: Median and weighted average of ARC/ADC paid by state, FY 01 to FY



Source: State retirement systems CAFRs compiled by NASRA

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[7] NASRA, Significant Reforms to State Retirement Systems, December 2018
[8] Public Plans Data, Center for Retirement Research, NASRA, Center for State & Local Government Excellence
[9] NASRA, Issue Brief: State and Local Government Spending on Public Employee Retirement Systems, March 2019

See also

National Association of State Retirement Administrators, "The Annual Required Contribution Experience of State Retirement Plans," 2015, http://www.nasra.org/files/JointPublications/NASRA_ARC_Spotlight.pdf

National Association of State Retirement Administrators, Issue Brief: State and Local Government Spending on Public Employee Retirement Systems, March 2019, http://www.nasra.org/costsbrief

National Association of State Retirement Administrators, Issue Brief: Employee Contributions to Public Pension Funds, September 2018, http://www.nasra.org/contributionsbrief

National Association of State Retirement Administrators, "Significant Reforms to State Retirement Systems," 2018 and "Selected Approved Changes to State and Selected Local Public Pensions," 2019-present

Contact

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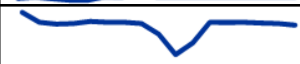
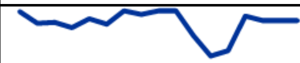
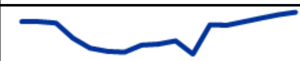
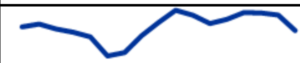
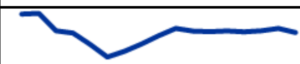
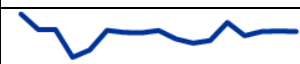
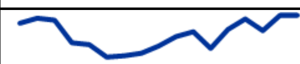
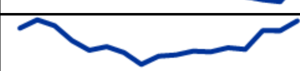
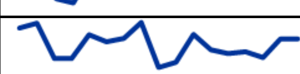
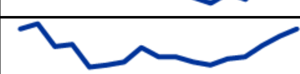
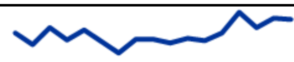
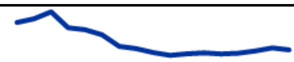
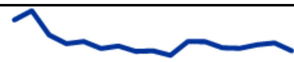
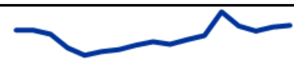
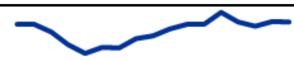
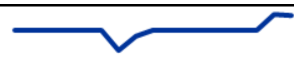
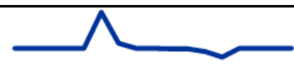
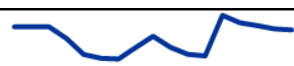
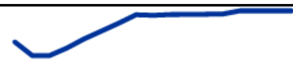
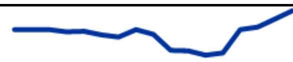
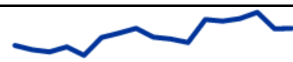
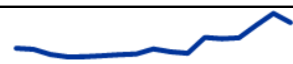
Alex Brown, Research Manager, alex@nasra.org
National Association of State Retirement Administrators

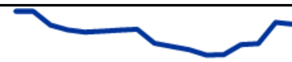
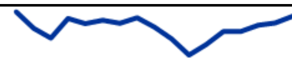
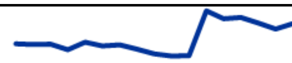
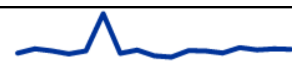
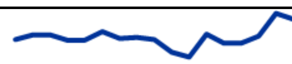
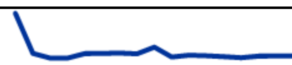
Appendix A: State and local government contributions as a percentage of the Annual Required Contribution and Actuarially Determined Contribution, FY 01 to FY 17

Plan	FY 01 %	FY 01 to FY 17 %	FY 17 %	Weighted Avg, FY 01 – FY 17
Alaska PERS[1]	105.3		98.4	101.5
Alaska Teachers[1]	114.0		114.9	131.9
Alabama Teachers	100.0		100.0	100.0
Alabama ERS	100.0		100.0	100.0
Arkansas Teachers	101.6		97.9	97.7
Arkansas PERS	100.0		100.0	100.0
Arizona SRS	100.0		100.0	100.0
Arizona Public Safety Personnel	100.0		100.0	101.1
California PERF	100.0		100.0	100.1
California Teachers	123.0		83.6	63.0
Colorado State & School[2]	100.0		0.0	70.4
Colorado School[2]	48.0		83.5	75.3
Colorado State[2]	48.0		87.5	74.2
Colorado Municipal	100.0		100.7	94.3
Denver Public Schools[1]	100.0		38.4	88.0
Colorado Affiliated Local	100.0		134.6	111.5

Plan	FY 01 %	FY 01 to FY 17 %	FY 17 %	Weighted Avg, FY 01 – FY 17
Connecticut Teachers[1]	85.0		100.0	117.7
Connecticut SERS	106.1		98.3	97.3
DC Police & Fire	100.0		100.0	100.0
DC Teachers	100.0		100.0	100.0
Delaware State	100.0		100.0	100.0
Florida RS	110.0		100.0	97.1
Georgia Teachers	100.0		100.0	100.0
Georgia ERS	100.0		100.1	100.1
Hawaii ERS	100.0		96.8	96.5
Iowa PERS	100.0		105.0	94.6
Idaho PERS	130.7		105.7	104.7
Illinois Teachers	70.6		66.2	73.9
Illinois Municipal	100.0		100.0	98.8
Illinois Universities[1]	85.5		88.5	83.0
Illinois SERS	124.3		84.5	82.4
Indiana Teachers	125.9		102.7	99.1
Indiana PERF	117.0		112.4	99.0
Kansas PERS	77.6		80.9	73.2
Kentucky Teachers[1]	100.0		98.5	84.6
Kentucky County	109.9		100.8	102.0
Kentucky ERS	105.6		122.5	68.6
Louisiana Teachers	110.2		101.3	101.1
Louisiana SERS	100.7		96.3	94.8
Massachusetts Teachers	113.5		100.0	87.5
Massachusetts SERS	116.4		100.0	87.1
Maryland Teachers	100.0		100.0	86.5
Maryland PERS	100.0		100.0	78.0

Plan	FY 01 %	FY 01 to FY 17 %	FY 17 %	Weighted Avg, FY 01 – FY 17
Maine State and Teacher	100.0		100.0	101.6
Maine Local	100.0		100.0	153.4
Michigan Public Schools	108.2		102.8	88.0
Michigan SERS	109.0		99.1	90.9
Michigan Municipal	118.0		135.7	116.3
Minnesota Teachers	180.0		78.1	81.7
Minnesota PERF	79.4		78.7	83.7
Minnesota State Employees	130.5		59.9	71.4
Missouri Teachers	100.0		106.5	89.9
Missouri State Employees	100.0		103.9	100.3
Missouri Local	100.0		100.0	100.0
Missouri PEERS	100.0		102.2	93.8
Missouri DOT and Highway Patrol	100.0		100.0	100.0
Mississippi PERS	100.0		107.2	100.5
Montana PERS	100.0		100.0	99.4
Montana Teachers	100.0		100.0	109.7
North Carolina Teachers and State Employees	76.0		100.2	97.6
North Carolina Local Government	100.0		101.8	101.2
North Dakota Teachers	100.0		96.5	87.2
North Dakota PERS	100.0		67.7	60.2
Nebraska County Cash Balance[3]	100.0		145.0	120.7
Nebraska State Cash Balance[3]	100.0		153.0	116.0
Nebraska State & School	100.0		174.0	102.7
New Hampshire Retirement System	100.0		100.0	96.4
New Jersey Teachers	0.0		41.2	21.1
New Jersey PERS - state	0.0		40.1	21.7
New Jersey PERS - local	0.0		100.0	90.8

Plan	FY 01 %	FY 01 to FY 17 %	FY 17 %	Weighted Avg, FY 01 – FY 17
New Jersey Police & Fire - state	0.0		40.4	25.0
New Jersey Police & Fire - local	30.3		100.0	81.5
New Mexico PERF	100.0		100.0	100.0
New Mexico Teachers	100.0		82.8	80.6
Nevada Regular Employees	100.0		103.0	94.4
Nevada Police Officer and Firefighter	100.0		102.0	89.3
New York State & Local ERS	100.0		100.0	100.0
New York State Teachers	100.0		100.0	99.8
New York State & Local Police & Fire	100.0		100.0	100.0
Ohio Teachers	100.0		143.6	78.3
Ohio PERS	100.0		100.0	100.0
Ohio Police & Fire[4]	100.0		74.0	63.2
Ohio School Employees	100.0		100.0	99.3
Oklahoma Teachers	72.7		101.3	89.8
Oklahoma PERS	77.3		153.1	81.5
Oregon PERS	94.6		100.0	90.0
Pennsylvania School Employees	100.0		100	57.6
Pennsylvania State ERS	147.2		100.0	69.3
Rhode Island ERS	100.0		100.0	100.0
Rhode Island Municipal	100.0		100.0	100.0
South Carolina RS	100.0		100.0	100.0
South Carolina Police	100.0		100.0	100.0
South Dakota RS	100.0		100.0	103.4
TN State and Teachers	100.0		100.0	100.0
TN Political Subdivisions	100.0		100.0	100.0

Plan	FY 01 %	FY 01 to FY 17 %	FY 17 %	Weighted Avg, FY 01 – FY 17
Texas Teachers	100.0		98.3	88.5
Texas ERS	118.3		98.1	77.0
Texas County & District	100.0		109.0	103.8
Texas Municipal	100.0		100.0	97.5
Utah Noncontributory	100.0		100.0	100.0
Virginia Retirement System	100.0		94.4	79.4
Vermont Teachers	91.3		100.3	93.3
Vermont State Employees	99.3		124.3	107.1
Washington PERS 2/3	207.0		88.8	84.0
Washington PERS 1	153.0		92.8	54.4
Washington Teachers Plan 1	156.0		90.2	49.6
Washington Teachers Plan 2/3	172.0		88.1	77.7
Washington LEOFF Plan 2	155.0		105.4	107.5
Washington School Employees Plan 2/3	297.0		85.8	73.1
Wisconsin Retirement System	99.6		100.0	102.0
West Virginia Teachers[1]	100.2		109.1	108.6
West Virginia PERS	100.0		119.5	101.5
Wyoming Public Employees[1]	483.0		89.0	99.3

Charts in the FY 01 to FY 17 % column reflect the percentage spending for each of the 17 years within the timeframe.

[1] Contribution experience includes revenue from one-time sources, such as pension obligation bonds, budget surplus monies, etc.

[2] The Colorado State and School plan was divided after FY 2004. Results for each plan reflect their respective pro rata experience.

[3] The Nebraska cash balance plans began operations in 2003.

[4] Per GASB Statement 67, beginning in FY 14, the Ohio Police & Fire Pension Fund does not report its Actuarially Determined Contributions and ADC received. The information shown reflects the plan's experience through FY 13.

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TO: **BOARD OF TRUSTEES**

FROM: **EDWARD C. SMITH, CHAIR**

DATE: **JUNE 20, 2019**

SUBJECT: **OPERATIONS COMMITTEE REPORT**

The Operations Committee did not meet this month; therefore, there is no written report. The next Operations Committee meeting will be held on Thursday, July 18, 2019, at 10:00 a.m.

900 7th Street, NW, 2nd Floor
Washington, DC 20001
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TO: **BOARD OF TRUSTEES**

FROM: **MARY COLLINS, CHAIR**

DATE: **JUNE 20, 2019**

SUBJECT: **BENEFITS COMMITTEE REPORT**

The Benefits Committee did not meet this month and there is no formal report.

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Washington, DC 20001
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Facsimile (202) 566-5001
E-mail: dcrb.@dc.gov

TO: BOARD OF TRUSTEES

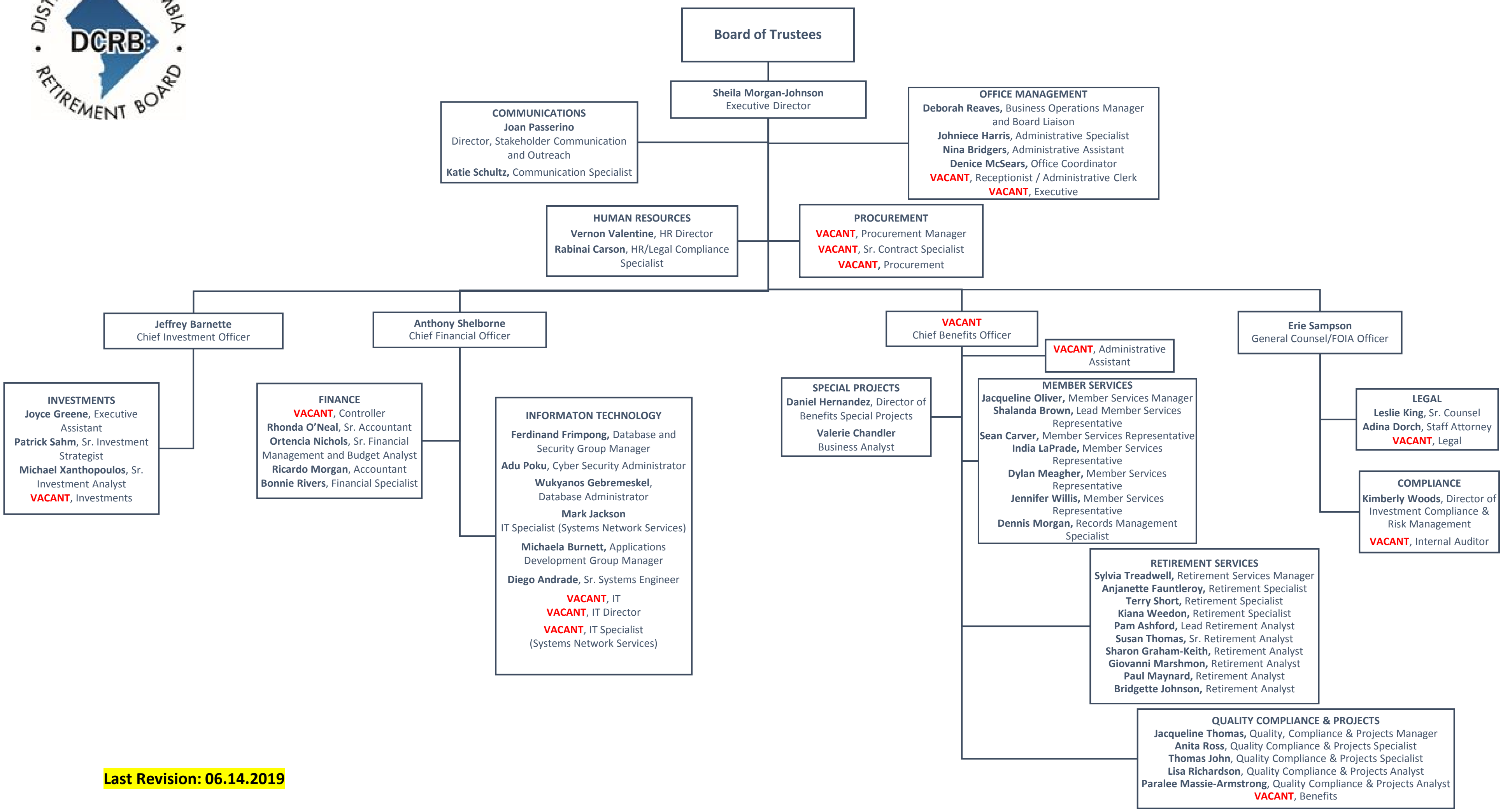
FROM: GARY HANKINS, CHAIR

DATE: JUNE 20, 2019

SUBJECT: AUDIT COMMITTEE REPORT

The Audit Committee did not meet this month; therefore, there is no written report. In the next Audit Committee meeting, which will be held on Thursday, July 18, 2019, at 12:00 p.m., we will discuss the finalist for audit services. The contract with our current auditing firm, Clifton Larson Allen will end on July 31, 2019. The members of the Source Selection Technical Evaluation Panel (SSTEP) are currently reviewing proposals and will complete their evaluation process by June 30, and will recommend a finalist for auditing services to the Audit Committee next month.

The District of Columbia Retirement Board (DCRB)



Last Revision: 06.14.2019

DC RETIREMENT BOARD
Conference Listing
June 20, 2019

Sponsor	Name of Conference	Date	Location	Cost	Description
International Foundation of Employee Benefit Plans (IFEBPs)	Public Employee Benefits Institute	June 24-26, 2019	San Francisco, CA	Registration: $1,515	The Public Employee Benefits Institute is designed to address benefit topics most critical to public plans and share ideas and discuss important issues with your peers.
	Fraud Prevention Institute for Employee Benefit Plans	July 15-16, 2019	Chicago, IL	Registration: $1,550	The sessions provides information to organizations who are responsible for having the tools necessary to prevent things such as cyberattacks, data breaches and claims fraud. By attending this conference, those who work with benefits information in the United
	Wharton School and International Foundation Partnership (International and Emerging Market Investing)	July 22-24, 2019	San Francisco, CA	Registration: $4,455	The 2-1/2 day specialty program is designed to provide insight into the global marketplace to those who already have a sold grasp on basic investment topics. Also, discover investment opportunities and risks of international and emerging countries and how to navigate these risks.
	65th Annual Employee Benefits Conference	October 20-23, 2019	San Diego, CA	Registration: $1,595 After September 8th: $1,895	This must-attend event offers you the opportunity to network with your peers, be surrounded by industry experts and learn the latest in the industry so you can make the most informed decisions on behalf of your funds. The topics range from legal and legislative to health and welfare to retirement security.
National Association of State Retirement Administrators (NASRA)	65th Annual Conference	August 3-7, 2019	Williamsburg, VA	Registration: $1,175 After July 5th: $1,250	The conference features leaders in the fields of retirement plan investment and administration covering a variety of subjects including investment management, world events applicable to the pension industry, the economy, human resources, trends, and more.

DISTRICT OF COLUMBIA RETIREMENT BOARD
Training & Travel Report
As of June 20, 2019

Name	Description	Sponsor/Vendor	Location	Dates From	Dates To
Trustees					
Edward Smith	Conference	National Conference on Public Employee Retirement Systems 2019 Annual Conference and Exhibition (NCPERS)	Austin, TX	05/17/19	05/23/19
Staff					
Jeffrey Barnette	Due Diligence	Advent's Latin American Private Equity Fund VII Onsite Due Diligence, Centerbridge Partners Update Meeting	New York, NY	06/04/19	06/04/19
	Conference	Institutional Limited Partners Association Members Conference (ILPA)	Chicago, IL	06/04/19	06/06/19
Ferdinand Frimpong	Summit	Gartner Security & Risk Management 2019 Summit	National Harbor, MD	06/17/19	06/21/19
Sheila Morgan-Johnson	Conference	Government Finance Officers Association 113th Annual Conference (GFOA)	Los Angeles, CA	05/19/19	05/22/19
Patrick Sahm	Conference/Due Diligence	Chartered Financial Analyst Institute 72nd Annual Conference (CFA), Aermont, Epris, Mondrian, and Orion Onsite Due Diligence	London, England	05/12/19	05/17/19
	Due Diligence	Advent Latin American Private Equity Fund VII Onsite Due Diligence and Centerbridge Partners Update Meeting	New York, NY	06/04/19	06/04/19
Anthony Shelborne	Conference	GFOA	Los Angeles, CA	05/19/19	05/22/19
Kimberly Woods	Conference	ILPA	Chicago, IL	06/04/19	06/06/19